

**First 2010 Estimated Personal Income Tax Payment Due April 15, 2010**

A taxpayer who does not make sufficient payments for a tax year may receive an assessment of penalty for underpayment of New Mexico personal income tax, even if the full tax amount owed is paid with the annual return in April.

The first estimated payment due for tax year 2010 is April 15, 2010. Subsequent payments are due June 15, 2010, September 15, 2010 and January 18, 2011.

**Ensure that your PIT-ES form indicates the correct tax year for which you wish to make an estimated payment.**

**WHO MUST MAKE ESTIMATED PAYMENTS?**

Every individual who must file a personal income tax return under the Income Tax Act also must pay estimated income tax. The way to do this is through either withholding or estimated tax payments. **There is a penalty for underpayment or non-payment of estimated tax.**

There is no penalty for underpayment of estimated income tax if:

- You are a first-year resident;
- Your tax for the current year, less amounts withheld, is under \$500; or
- You are a full-year New Mexico resident whose previous tax year was a 12-month tax year, and you owed zero tax for that tax return.

**HOW MUCH ESTIMATED TAX SHOULD YOU PAY?**

To calculate estimated tax, first determine the **"required annual payment"** or the total amount of estimated tax to be paid during the tax year. When you have figured the annual payment, then determine the amount and timing for each estimated tax installment.

The **required annual payment** is the lesser of:

- 90% of the tax on the current year's return (or the tax for the year if no return is filed), or

- 100% of the tax on the prior-year return, but only if you filed a return for a full 12-month year.

To determine the required annual payment, calculate 2009 tax as follows:

- 2009 net New Mexico income tax from line 20, Form PIT-1;

**Less:**

- Total rebates and credits claimed on line 21, Form PIT-1 (Schedule PIT-RC), and
- New Mexico income tax withheld on line 22, Form PIT-1.

**NOTE:** The line numbers and the calculation of estimated tax may change from year to year. Refer **ONLY** to the instructions for estimated tax or Form RPD-41272, *Calculation of Estimated Personal Income Tax Underpayment Penalty*, specifically written for the tax year you are filing to calculate the required annual payment or the underpayment penalty if the special rules discussed below apply to you.

**WHAT IS THE AMOUNT OF THE ESTIMATED INSTALLMENT PAYMENTS AND WHEN ARE THEY DUE?**

Generally, four equal installments of the required annual payment are due on or before the 15th day of the fourth, sixth, and ninth months of the tax year and the first month of the following year. For most calendar-year taxpayers those dates are:

April 15	June 15
September 15	January 15

Sometimes a due date for an estimated payment is a Saturday, Sunday, state or national legal holiday. The estimated payment is timely when the postmark bears the date of the next business

day. Delivery by a private delivery service is timely if the date the delivery service records is on or before the required mailing date.

**Special rules apply for certain taxpayers.** There are exceptions to the general rules for determining the timing and amount of each estimated installment payment, and for determining receipt of estimated payments. Special rules apply if:

- Your income varied during the year so that you did not have to pay estimated personal income tax until after March 31 of the tax year;
- You are a farmer or rancher who expects to receive 2/3 of gross income for the tax year from farming or ranching, or who has received at least 2/3 of your gross income for the previous tax year from farming or ranching, or
- You want to compute estimated payments according to the actual dates on which all amounts of withholding tax were withheld for the applicable tax year.

Each exception is described below. If one of the special rules applies to you, you may use a special method of calculating penalty on underpayment of estimated income tax.

To use a special method, complete Form RPD-41272, *Calculation of Estimated Personal Income Tax Underpayment Penalty*, specific to the tax year of the return. Enter 1, 2, 3, 4 or 5 in the box on line 29 of Form PIT-1. Submit Form RPD-41272, with your PIT-1 return.

## HOW TO COMPLETE THE INDICATOR BOX ON LINE 29, FORM PIT-1

If you qualify, you must enter 1, 2, 3, 4 or 5 in the indicator box on line 29 on Form PIT-1, or your estimated personal income tax underpayment penalty will be calculated using the standard method. Enter 1 if you wish to compute estimated payments based on the actual dates on which all amounts of withholding tax were withheld for the applicable tax year. If you have annualized income and are required to file estimated payments beginning with the 2nd, 3rd, or 4th quarter estimated installment due date, enter 2, 3, or 4 respectively. If you qualify for special rules because you are a farmer or rancher, enter 5.

If you owe estimated income tax using the standard method of computing estimated income tax payments and you do not qualify for special calculation procedures, you do not need to file Form RPD-41272. However, you may use it anyway to calculate your penalty. **Do not** submit the form to the Department or mark the box on line 29 of Form PIT-1 if you do not qualify for special penalty calculation procedures.

### Exception for annualized income.

Taxpayers with seasonal income can use a modified annualization method to determine the amount and timing of estimated payments. You may use the modified annualized method **only** if actual income through March 31 is too small to trigger a required payment.

Test dates for subsequent payments are May 31, August 31 and December 31. You may have to balance your account later in the year if your base income increases and you did not make earlier installments.

### Exception for farmers and ranchers.

The law provides a special rule, identical to the federal rule, for farmers and ranchers who expect to receive **at least** 2/3 of their GROSS income from farming or ranching or who received **at least** 2/3 of their GROSS income from farming or ranching in the prior year. Farmers and ranchers meeting the gross income test may:

- Make one estimated payment in the amount of the required annual payment on or before January 15 of the year following the tax year of the return, *or*
- File and pay in full on or before March 1 of the year following the tax year of the return.

For joint returns, the farmer or rancher must count the spouse's gross income in determining whether the couple meets the two-thirds-of-gross-income test. *Qualifying farmers or ranchers electing to use this method of computing estimated tax payments must mark "5" on line 29 and attach Form RPD-41272 to Form PIT-1.*

### Exception for individuals who estimate installment payments according to the actual dates when all amounts of withholding tax were withheld for the applicable tax year.

*The amount of New Mexico income tax an employer deducts and withholds is a payment of estimated tax.* The Department considers an equal amount of tax withheld as tax paid on each installment due date unless the taxpayer establishes on Form RPD-41272 the dates on which all amounts were actually withheld. This provision may apply separately to wage and pension withholdings and any other amounts withheld under the Withholding Tax Act.

## PENALTY FOR UNDERPAYMENT OR NON-PAYMENT

Underpayment or non-payment of estimated tax is subject to penalty on the difference between the estimated tax payment and the actual amount of estimated tax due. Penalty accumulates from the due date of the estimated tax payment until the earlier of:

- the date the payment is made, *or*
- the 15th day of the fourth month following the close of the tax year.

New Mexico calculates penalty (in the form of interest) on underpayment of estimated tax at the same rate as interest on an underpayment of tax. Beginning January 1, 2008, penalty is computed on a daily basis at the rate

established for individual income tax purposes by the U.S. Internal Revenue Code (IRC). NOTE: The penalty for underpayment of estimated tax may exceed the maximum 20% that applies to an underpayment penalty.

The formula for calculating daily penalty is:

$$\text{Estimated tax payment due} \times \text{the daily interest rate} \times \text{number of days late} = \text{penalty due.}$$

The IRC rate changes quarterly. The IRC rate for each quarter is announced by the Internal Revenue Service in the last month of the previous quarter. The annual rate for 2009 ranged between 4% and 5%. The interest rates for each quarter are posted on our web site at [www.tax.state.nm.us](http://www.tax.state.nm.us).

No penalty applies to the fourth estimated payment if the taxpayer files a return and pays the full amount on or before January 31 of the next year.

If the balance due is \$500 or more, the Department first determines if the required annual payment was made. If it was, there is no penalty. If it was not, the Department calculates the underpayment penalty and issues an assessment. If you believe an assessment is in error, you can protest the assessment and provide more information.

## INFORMATION AND ASSISTANCE

The Tax Information and Policy Office publishes FYI-320, *PIT-ES: Personal Income Tax Estimated Payments*. You may request this publication by e-mailing [policy.office@state.nm.us](mailto:policy.office@state.nm.us). It is also on the Internet at [www.tax.state.nm.us](http://www.tax.state.nm.us). Click on "publications".

## MAKING PAYMENT ON THE INTERNET

Payment for estimated tax may be made using the Internet. Visit the Department's web site and select E-Services. Payment may be made at no charge by electronic check or via credit card (Visa, MasterCard or American Express). A 2.49% convenience fee is added for credit card payments.

## MAKING PAYMENT BY CHECK OR MONEY ORDER

You must complete Form PIT-ES and mail the form and payment to the Department. You may also drop off Form PIT-ES and payment to a local District Office. See inside the cover of the PIT-1 Instructions for addresses.

### STEPS FOR COMPLETING PIT-ES

#### STEP 1

**Obtain the PIT-ES form for the correct tax year. Ensure that your PIT-ES form indicates the tax year for which you wish to make an estimated payment.** For example, if you are making an estimated payment for your 2009 tax return due in 2010, make certain that your PIT-ES form indicates the 2009 tax year. If you wish to make an estimated payment for a different tax year, obtain the PIT-ES for the correct tax year. See *Contacting the Department* on page 12 of the Form PIT-1 instructions. The 2009 PIT-1 form packet contains forms for tax years 2009 and 2010.

**Type or print all entries in blue or black ink. Do not use pencil.**

Enter your name and social security number. Enter your spouse's name and social security number if you expect to file a joint return for 2009. Names and social security numbers should appear in the same order each time you make an estimated payment.

#### STEP 2

**Calculate the estimated payment.** Using the tax rate tables for the applicable tax year, determine how much estimated tax you owe and the amount of payments made to date, if any. Include any prior-year overpayments you choose to apply to the current year's estimated tax payments.

#### STEP 3

**Complete the PIT-ES.** Select a PIT-ES indicating the tax year to which you are making an estimated tax payment. If you obtained a PIT-ES from the Internet that does not have a tax year printed on the form, enter the last day of the calendar year to identify the tax year to which you are making an estimated tax payment. If you are a fiscal-year filer, enter the last day of the fiscal year. Include the month, day and year; for example, 10/31/10, for fiscal year beginning November 1, 2009 through October 31, 2010. All taxpayers must check the appropriate box for the quarter to which the estimated payment should be applied. Fiscal-year filers should also check the box for the period comparable to a calendar-year filer.

Enter the amount you are submitting with the PIT-ES. Use whole dollars only. Do not enter or pay cents.

**Do not cut or resize the bottom portion of the estimated payment voucher in any way. When printing**

the document from the Internet, the printer setting "Page Scaling" should be set to 'none' to prevent resizing.

#### STEP 4

**Keep a copy or other record of each PIT-ES payment that you submit in a safe place. You will need them when you prepare your personal income tax return.**

#### STEP 5

**If making payment by mail, use your own envelope, mail your check or money order and the completed PIT-ES.** Make your check or money order payable to **Taxation and Revenue Department**. Write your social security number, the tax year and "PIT-ES" on the check or money order. *For proper credit on your account, please DO NOT mix a payment of estimated personal income tax with any other payment!*

#### Mail to:

**Taxation and Revenue Department  
P.O. Box 8390  
Santa Fe, NM 87504-8390**

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# ***FILE* and *PAY***

## **THROUGH THE INTERNET**

### **INTERNET SERVICES:**

- **ELECTRONIC FILING**
- **ELECTRONIC CHECK**
- **TAX PAYMENTS USING VISA, MASTERCARD OR AMERICAN EXPRESS\***
- **ASK A QUESTION**
- ***NEW*: TAXPAYER ACCESS POINT - Find the status of your refund.**

Visit the Department website at [www.tax.state.nm.us](http://www.tax.state.nm.us)

Click on E-Services

## **WHY FILE AND PAY THROUGH THE INTERNET?**

- **Electronic filing is fast, safe and secure.**
- **It provides the fastest turnaround for a refund.**
- **Saves tax dollars. A return filed electronically costs less than a paper return.**
- **Taxpayers who *file and pay* electronically receive an extension of the filing deadline through April 30, 2010. The filing deadline is April 15, 2010 for all other taxpayers.**
- **It is environmentally friendly, reducing the need for paper.**

**\* 2.49% convenience fee added for credit card payments only.**